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CENTRAL INTELLIGENCE AGENCY

WASHINGTON 25, D. C.

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10 June 1965

MEMORANDUM FOR: Special Group Assistants

FROM:



SUBJECT: Bolivia

During the discussion of Bolivia at the 3 June 1965 meeting of the Special Group (CI), Director Raborn promised to provide for the members a paper surveying the Bolivian scene. Copies of this memorandum entitled, "Bolivia's Problems and Prospects," dated 9 June 1965 and prepared by the Office of National Estimates, are enclosed.



Special Group Officer

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DATE: AUG 2007

NND 011188
DOC: #84
Page 1 of 12

~~S-E-C-R-E-T~~

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CE briefing

June 17

Item III

CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

9 June 1965

MEMORANDUM FOR THE DIRECTOR

SUBJECT: Bolivia's Problems and Prospects

This memorandum examines the background of the present critical situation in Bolivia. The military is, at present, Bolivia's only effective stabilizing force. The military government has moved successfully through the first stage of an arduous but essential undertaking--the reassertion of control over the mines, which can make significant economic progress possible. But this course brings the military leadership under new pressure and increases the chances of an open break between Barrientos and Ovando--an eventuality which would be likely to produce political chaos or even civil war.

Background

1. Bolivia's history has been dominated by political ineptitude and violence. From the time of independence in 1825, the country has suffered at the hands of venal, stupid, and frequently brutal leaders. All five of the neighboring countries have been presented with -- or have carved off -- sizable slices of

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Bolivian territory. What remains is a land-locked cripple of a nation with valuable, but inefficiently-exploited, mineral resources.

2. Bolivia's population of about 3.6 million is far from homogeneous -- 55 percent Indian, 30 percent mestizo, and 15 percent white. Within each of these categories there are further major cleavages (e.g., strong tribal animosities among the Indians). The literacy rate is only 30 percent and much of the population has stuck to the old, primitive ways. Health conditions are very bad, a frontier mentality prevails, and life is held cheap.

3. Bolivia has hardly known representative government; elected leaders have usually been replaced in rather short order by political or military strongmen. So far there have been 13 paper constitutions, but, whatever the trappings, the actual processes have not been democratic and important elements of the population have always remained ready to revert to time-tested methods of political violence. In short, these are a people who have never adjusted to peaceful, lawful settlement of differences.

4. Over time, as a growing proportion of the population has begun to participate politically, mob action has come to be an important political tool and the danger of anarchy has increased.

- 2 -

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~~Present Situation~~
In contrast to the long line of earlier coups, the revolution of 1952 was a popular mass movement. Spearheaded by the tin miners, perhaps the most militant Bolivians, it defeated the armed forces and overthrew the oligarchic regime. The government of Victor Paz Estenssoro which that revolution brought to power undertook some positive reforms -- particularly in land distribution -- but its actions with respect to the mines and miners aggravated the country's economic problems.

5. Paz nationalized the three largest tin-producing enterprises and put them under control of the Bolivian Mining Corporation (COMIBOL). His administration allowed the miners' unions to keep their weapons and maintain their militia organizations; after a time, it was the miners' leaders, rather than the government managers, who called the tune on mine operations. This, along with corruption in COMIBOL itself, permitted the cost structure to get completely out of hand. At the same time, extreme leftists -- Juan Lechin among them -- were allowed to tighten their control of the miners' unions. Thus, the military junta which overthrew Paz in early November 1964 inherited a nearly impossible situation in the country's key economic sector.

- 3 -

~~S-E-C-R-E-T~~

NND 011188
DOC: #84
Page 4 of 12

~~S-E-C-R-E-T~~

Present Situation

6. The new military regime faced dismal political and economic conditions. The National Revolutionary Movement (MNR), Paz's old party, was split beyond mending and was losing strength to the extreme right and to the extreme left. The leaders of the various political parties continued to pursue partisan advantage regardless of the national interest. The economic situation had some favorable aspects: the agricultural sector had shown an upward trend for a number of years; during 1963 and 1964 prices had remained relatively stable, and gross national product had grown at a 4-5 percent annual rate -- appreciably higher than population growth. But the need for more rapid progress was great. Bolivia is the poorest country of South America, with a per capita gross national product of little more than \$100 a year; malnutrition is the rule rather than the exception for much of the population.

7. The leaders of the military junta recognized that correction of the conditions in the mines was a prerequisite for more substantial economic gains, at least in the short run. Tin earnings, which account for the bulk of Bolivia's foreign exchange, declined in value by 22 percent from 1953 to 1963, primarily as a result of falling production. COMIBOL, maintaining the same size

- 4 -

~~S-E-C-R-E-T~~

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labor force, has been operating increasingly at a deficit -- making it a sizable drain on the government's budget; the situation would have been even more serious had not world tin prices been relatively high since 1958. Most important of all, the US and other foreign participants made it clear that additional foreign aid to COMIBOL under the Triangular Plan was contingent upon the establishment of Bolivian governmental authority in the mines and upon substantial improvement in operations. *

8. The government leaders realized that to reassert control over the mines would require military occupation of some of the mining areas in the face of violent resistance. Reluctant for some time, they apparently reached a decision in early May to go ahead, and on 15 May they had Union leader Juan Lechin arrested and deported to Paraguay. The miners' unions, joined by most other unions, reacted with a strike, which temporarily paralyzed activity in La Paz and in the mining regions. For more than a week there was small-scale fighting around La Paz, as well as in the mining regions.

*

The Triangular Plan is an agreement undertaken in June 1961 by the US Agency for International Development, the Inter-American Development Bank, and West Germany to finance the rehabilitation of COMIBOL. Some \$45 million was furnished for the first two phases of the program. But in mid-1964 the plan was suspended because of dissatisfaction on the part of the sponsors with the Bolivian performance.

- 5 -

~~S-E-C-R-E-T~~

NND 011188
DOC: #84
Page 6 of 12

~~S-E-C-R-E-T~~

Beginning 23 May, army units began to occupy some of the smaller mines; they also moved into staging areas near the major ones. Government interveners have gone into a few of the mines to carry out the junta's decree for the reorganization of COMIBOL. This includes provisions for a significant lowering of costs through a substantial reduction of the work force as well as a reduction of the wages and bonuses of those workers who are retained.

9. The junta has managed to take the first difficult steps on this problem, but it is by no means out of the woods. Although certain of the extreme leftist leaders have left the mines and gone into exile, new and more determined resistance on the part of the miners may occur as the scope of the COMIBOL decree becomes clearer to them. Or they may try to frustrate the government's efforts by means of passive resistance. In any case, the government will lose a good part of the potential benefit from the reduction of the labor force in the mines if it cannot find alternate productive employment for the laid-off workers.

The Barrientos-Ovando Rivalry

10. The military is, at present, Bolivia's only effective stabilizing force. Thus, the reason for greatest concern during these past few difficult weeks has been the evidence of the deepening

- 6 -

~~S-E-C-R-E-T~~

NND 011188
DOC: #84
Page 7 of 12

~~S-E-C-R-E-T~~

of the long-standing split between the two most important military leaders and of a further coalescence among organized political groups in opposition to the junta. Air Force General Rene Barrientos, who became president of the junta after the overthrow of Paz last fall, was clearly the leading force in the decision to bring the mines under control. But in the very early stages of that effort, General Alfredo Ovando, Commander of the Armed Forces, undercut junta policy by signing on his own initiative cease-fire agreements with representatives of the miners. An open break between the two ambitious generals was narrowly avoided when Barrientos accepted Ovando as co-president of the junta and had himself appointed co-Commander of the Armed Forces. But this does not look to be a very durable arrangement.

11. Barrientos, a career military officer, is obviously courageous, if something of a swashbuckler. A gifted, though volatile leader, he is strongly pro-US and anti-Communist. His support in the Armed Forces is largely centered in the Air Force and among the younger army officers and NCOs. He also has considerable backing among Indian peasant groups, particularly in his native Cochabamba area. However, Barrientos was unable to organize sufficient support among Bolivia's organized political

- 7 -

~~S-E-C-R-E-T~~

NND 011188
DOC: #84
Page 8 of 12

~~S-E-C-R-E-T~~

parties to put over his presidential candidacy for the election which had been scheduled for this year and which is now indefinitely postponed. His political ambitions and tactical mistakes probably have cost him the support of some of the officers who took part in overthrowing Paz.

12. Ovando, also a professional soldier, has considerable support among those career army officers who prefer to keep the Army out of politics and among those with a rightist political background. He has almost no popular appeal, but has been courted by anti-Barrientos politicians as the only military leader capable of checking the latter's political strength. Ovando avoided overt political ties between 1952 and 1964, but his earlier political background was with the rightist Falange movement (FSB) ousted from power in 1952.

13. Leaders of the FSB, sharply opposed to Barrientos, have allied their party with the extreme left -- i.e., with Juan Lechin's National Leftist Revolutionary Party (PRIN) and the Bolivian Communist Party (PCB). Representatives of this political combination have been in contact with Ovando and hope to use him to depose Barrientos -- either as a coup leader, or eventually as a candidate in presidential elections.

- 8 -

~~S-E-C-R-E-T~~

NND 011188
DOC: #84
Page 9 of 12

~~S-E-C-R-E-T~~

14. The MNR, which was responsible for the 1952 revolution and continued to be the dominant party in Bolivia for nearly a dozen years, now has only a fraction of its former strength. There was always tension between the moderate and radical wings of the MNR; finally Juan Lechin based his organization of the PRIN on what had been the MNR's radical wing. Disputes between Paz and other key party leaders -- notably former President Hernan Siles -- led to further fragmentation and to the loss of members of the more extreme parties. MRN leaders are, moreover, mistrusted by many of the military, including some members of the junta. This was a key factor early this year in dissuading the electioneering Barrientos from identifying closely with the main faction of the MRN, which Siles leads. While this part of the MNR would almost certainly support Barrientos in a showdown, another, smaller faction is so bitterly opposed to him that it might throw its weight to Ovando.

Outlook

15. Given the fragility of the political situation in Bolivia and the likelihood that similar conditions will prevail for the foreseeable future, we believe that an early attempt to return to elective government would be more likely to produce chaos than constitutionalism.

- 9 -

~~S-E-C-R-E-T~~

NND 011188
DOC: #84
Page 10 of 12

~~S-E-C-R-E-T~~

16. The junta -- and Barrientos, in particular -- has moved with determination through the first stage of an arduous but essential undertaking. By pressing ahead on its present course with respect to the mines and continuing its essentially moderate overall policy, the junta could, over time, produce a sounder foundation for both economic improvement and political stability. Whether or not it can survive long enough to accomplish this depends, above all, on the avoidance of an open split between Barrientos and Ovando. We estimate the chances are no better than even that they will manage to continue a workable relationship. Both men are ambitious and either might move to profit from what he judged a favorable set of circumstances to oust his rival. But both realize that, if they become openly opposed to each other, the result could be civil war.

17. Even if a direct confrontation between Barrientos and Ovando is avoided, there is still a considerable danger that one or both will be assassinated. This is particularly the case for Barrientos; in the last three years there have been at least a half-dozen attempts on his life. The removal of Barrientos by either assassination or overthrow would have a greater impact than would the elimination of Ovando. If Barrientos were removed, the

- 10 -

~~S-E-C-R-E-T~~

NND 011188
DOC: #84
Page 11 of 12

~~S-E-C-R-E-T~~

peasants and some of the younger military would be likely to take up arms against the government; if Ovando were removed, there would be dissension among some of the senior officers and violence initiated by the extremist political parties, but most of the military and the peasantry would probably back the government.

18. In a chaotic situation, particularly one in which the military forces split, extremists of the right or left -- or a combination of the two -- might manage to gain control of a new government. The rightist FSB has a strong and fanatic following, a substantial part of it in La Paz. The Communists and the leftist PRIN would have the backing of many, perhaps most, of the miners. If these rightist and leftist elements adhere to plans to act in combination, they could field a strong force to seize control, though they would almost certainly have a falling out before they had held power long.

FOR THE BOARD OF NATIONAL ESTIMATES:

SHERMAN KENT
Chairman

- 11 -

~~S-E-C-R-E-T~~

NND 011188
DOC: #84
Page 12 of 12